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OF WYOMING

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November 30, 2000

Ms. Magalie Salas
Office of the Secretary
Federal Communications Commission
445 Twelfth Street S.W.
Washington, D.C. 20554

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DEC 6 - 2000

FCC MAIL ROOM

Re: CC Docket No. 96-45

Dear Ms. Salas:

Today, the Wyoming Public Service Commission electronically filed its Reply Comments on the Rural Task Force Recommendation in CC Docket No. 96-45. Pursuant to the public notice of this matter, we are following up with hard copies to you and others on the provided service list.

Thank you for your consideration of this matter.

Sincerely,

Denise Kay Parrish

Supervisor, Rates and Pricing

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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DEC 6 2000

In the Matter of the)
Federal-State Joint Board)
on Universal Service)

CC Docket No. 96-45 FCC MAIL ROOM

REPLY COMMENTS OF THE WYOMING PUBLIC SERVICE COMMISSION ON
THE RURAL TASK FORCE RECOMMENDATION
(pursuant to public notice: FCC-00J-3)

The Wyoming Public Service Commission (WPSC) hereby submits its reply comments on the *Rural Task Force Recommendation To the Federal-State Joint Board on Universal Service* (the Recommendation). The WPSC is the agency of the State of Wyoming which has jurisdiction to regulate, *inter alia*, the intrastate activities of telecommunications companies serving in Wyoming. As such, the WPSC is an interested party in the proceeding. Additionally, the WPSC has been a full and active participant in federal universal service issues over the past several years. In that regard, we have had an observer or participant at every meeting of the Rural Task Force (RTF) meeting. We also filed comments in this matter on October 31, 2000.

As we did in our initial comments, we continue to encourage the Joint Board on Universal Service and the Federal Communications Commission (FCC) to adopt the Rural Task Force's Recommendation in full and without further delay. We continue to believe that the Recommendation is comprehensive, supportable and consistent with the mandate of the federal Telecommunications Act of 1996. The Recommendation strikes a fair and appropriate balance between the needs of high cost companies (and customers) and the needs of the payor states. Clearly, the recommendation is not excessive. If anything, it leans toward producing reasonable restricted, but nevertheless fair, funding.. The Recommendation also builds realistically upon a system for which there is currently reliable, supportable, and available data. Those who want to further modify and refine the current system should take the opportunity to do so over the five year period for which, as the RTF suggests, its Recommendation would be in place. Delay will not only impede the development of the required sufficient and predictable funding system, but will also impede the development of competition in rural areas.

Three major themes seem to have emerged from the initial comments on the Recommendation. First, the rural telecommunications carriers have raised the question of whether the Recommendation provides adequate funding, especially in light of the caps that continue to be part of the RTF Recommendation. Second, the payor states have raised the question of whether the Recommendation overfunds the rural carriers, and have expressed special concern about the lack of

data to show that the entire amount of funding that flows from the Recommendation is necessary. Third, several states, particularly those in the New England area and those whose rural areas are primarily served by non-rural carriers, question why an entirely new method was not developed by RTF, rather than building off of existing methods.

While it is understandable that the rural local telecommunications carriers do not want restrictions on the level of universal service funding that is available to assist in supporting service to high cost customers, the Joint Board and the FCC must take a more balanced view. The FCC and Joint Board should focus on the language of the federal Telecommunications Act of 1996 which requires that universal service funding be *sufficient* and rates and services be *reasonably comparable* in rural and urban areas.

Similarly, those who question the "excessiveness" of the recommendation also thereby advocate their own self-serving interests. Understandably, these commentators want to pay as little as possible into the fund. However, without adequate funding, the universal service plan neither accomplishes its goals of *maintaining and advancing* the preservation of universal service, nor observes the mandates of the law that *quality services should be available at just, reasonable, and affordable rates*.

In Wyoming, the embedded cost per loop served by a rural carrier averages about \$60 per month, although the range for individual companies runs from a low of about \$31 to a high of about \$86 per loop per month. This average loop cost of \$60 is more than twice the national average for rural carrier loop costs and is more than three times the average non-rural loop cost. Under the Recommendation, our average high cost loop support is about \$23 per month, or an increase of about \$1 per line per month over the currently capped support levels. Without any additional support from the federal level, such as long term support or high cost local switching support, this leaves an average monthly loop cost to be recovered at the state level of \$37 per month. According to the FCC's own published statistics, the representative urban residential rate, before taxes and surcharges, is just under \$14 per month. If this were to be considered the "comparable" rate under the federal law, that would leave \$23 per month to be recovered from the state universal service fund, plus the cost of switching and transport. With about 50,000 lines served by rural carriers in Wyoming, this would result in a required fund of nearly \$14,000,000 annually, to support the total recovery of the loop cost and only for the customers of Wyoming rural carriers. Support for customers of non-rural carriers would need to then be added, as would the remaining costs other than those of the loop. Based on total Wyoming intrastate revenues of about \$227 million annually, this translates into a required intrastate universal service fund surcharge of more than six percent. This is unacceptable, given this is only part of the universal service support to be funded by Wyoming customers..

If however, one were to assume that the better comparable rate is the average forward-looking cost of providing service in the non-rural areas, or about \$24 per loop per month, then the Wyoming funding needs become an average of \$13 per line per month, or about \$8 million per year, before any support for non-rural customers and the remaining rural costs are considered. This

translates into a surcharge of about 3.5% on all intrastate revenues. However, a rate of \$24 per loop per month, for practical purposes results in a bill closer to \$35 per month, when the subscriber line charges, 9-1-1 charges, number portability charges, federal and state universal service fund surcharges, taxes, and other surcharges are added. This again raises questions of affordability, as does any scenario that sets the comparable rate at any level higher than \$24.

These examples clearly illustrate Wyoming would be driven toward intrastate surcharges ranging from 3.5% to 6% just for the support needs of the rural carriers in Wyoming. This range, however, is many multiples of the surcharge that is occurring at the federal level. Based on non-rural high cost support and access reduction support of about \$500 million this year, and total interstate and international revenues of more than \$111 billion, this computes to a federal surcharge of less than ½ of one percent. Similarly, if the billion dollars of estimated funding need (which includes more than just high cost loop support) for the rural carriers is surcharged against the more than \$111 billion in interstate and international revenues, this results in an assessment of less than 9/10ths of one percent. On a fifty dollar toll bill, this would be \$0.24 and \$0.45 for non-rural and rural, respectively. A six percent surcharge on a fifty dollar local, intrastate toll, and optional features bill (since all are assessed in Wyoming) would be \$3.00, or more than four times the illustrative interstate example for both non-rural and combined rural support.

Each additional \$1 million of support received by rural companies (and thus their customers) in Wyoming translates to an average additional support of \$1.66 per line per month. To fund the same additional \$1 million ourselves (noting that we are already funding nearly \$10 million annually in Wyoming universal service support) translates into an intrastate surcharge of 4/10ths of one percent, or \$0.20 on a fifty dollar telephone bill. Yet, based on more than \$100 billion in interstate revenues, this same \$1 million translates into an additional surcharge that is 0.000009 — an amount nearly too small to put into a billing system. This would be 4/100 of one cent on a \$50 bill. This shows that the recommendation produces a fair outcome and one that is clearly not excessive.

Several of the commentators suggested that both the current system and the Recommendation should be scrapped, and discussions should start afresh based on a more “pure” cost method — a method that would exclude items such as dial equipment minute (DEM) weighting. In principle, Wyoming agrees that these discussions may result in a support method that is conceptually more appropriate in measuring the high cost support and how it should be directed to individual companies and their customers. However, there are negative consequences attached to the amount of time that would be lost in starting the discussions anew. The RTF worked on its analysis and developed its Recommendation over the course of a 27 month period. The Recommendation was formalized more than four and one-half years after the passage of the Telecommunications Act of 1996. Adding another two or three years to the process is simply not acceptable. Starting afresh will produce a process no-less contentious than that already achieved with the loss of four and a half years of work.

One must examine what would be lost during this additional period of delay. Currently, there is no method in place for the portability of funds between rural incumbent and rural competitive carriers. Thus, the system is not currently competitively neutral; and competitors

currently have no incentive to enter rural markets. The perceived benefits of competition are not available to rural customers. The RTF Recommendation addresses portability and competitive neutrality and supports deaveraging. WPSC argues that it is not in the public interest to put these necessary public benefits on hold for another two or three years — especially when some of Wyoming's most effective competition is beginning to develop in the rural markets. Having worked over the past several years to reduce or eliminate barriers to entry, we are concerned that delay in implementing the Recommendation could abrogate the strides that we have made to open local markets to competition.

Starting over would also cause the loss of the accountability provisions that are contained within the Recommendation. The RTF Recommendation calls for the states to be included in the process of determining whether the support funds are being used for their intended purposes. Currently, the states do not have that oversight capacity and there is less accountability than would be called for under the Recommendation.

The WPSC agrees in principle that there are other ways of looking at federal universal service support, other than the methods examined by the RTF, and that there could be even more theoretically correct ways. However, the WPSC also agrees with the RTF that time is of the essence for abandoning the current rural funding support method and implementing a more comprehensive method that incorporates not only a more appropriate capping mechanism, but also competitive neutrality, accountability, deaveraging and targeting of support, and incentives for investment. That is why we cannot support the commentators that have urged another complete look at overhauling the system before any changes are made.

We do support a complete look at alternative methods, including "purer" embedded cost based methods without additional arbitrary allocations, but urge it be done during the five year period during which the RTF Recommendation would be in place. Implementation of the RTF Recommendation does not forever foreclose the opportunity for further examination of both the support needs and trends in the industry. In fact, the RTF anticipates and *encourages* the industry to be continually reviewing and updating the method of computing and distributing high cost support. We therefore urge you to implement the RTF Recommendation now, while at the same time putting into motion additional review of methods and concepts that have not yet been fully examined. This continuing review of the methods should be an open, public process and should be based on data that can be reviewed and examined by more than just a few individuals, as was the RTF process. It should be a process that welcomes input from all participants, not just a few participants working with data that cannot be shared.

Finally, we believe that the review and further study that should be done during the five year period during which the RTF Recommendation is in place must include an examination of merging the rural and non-rural support mechanisms. The difference between rural and non-rural carriers is arbitrary and does not currently reflect the nature of the areas being served or the nature of the customers being served. There are exchanges and locations served by Qwest Corporation in Wyoming that are as remote and costly to serve, or more so, than some served by rural carriers.

Different treatment of support for these areas is simply an incentive for Qwest to sell those exchanges, or worse, to fail to properly upgrade and modernize those areas. It is also important to note that the level of support to a rural area can be significantly different, for similarly situated areas, depending on whether the area is served by an incumbent rural or non-rural carrier. We urge that the potential of creating one method of support for all carriers be examined over the upcoming years.

In conclusion, the WPSC fully supports the immediate implementation of the comprehensive package of recommendations submitted by the Rural Task Force to the Joint Board on Universal Service. We continue to believe that the Recommendation given you by the Rural Task Force does an admirable job of addressing a comprehensive package of issues. We understand that the Recommendation reflects a balance of interests among competitive providers, incumbent providers, regulators, and consumer advocates. In reaching this compromise, the Rural Task Force reached a result which is fair and which is neither excessive nor deficient. Once implemented, for a five year period, there is then adequate time for further study of other alternatives and modifications. We urge your adoption of the Recommendation now.

Respectfully submitted this 30th day of November, 2000.


STEVE ELLENBECKER
Chairman

Sincerely,
*Not available
for signature*
STEVE FURTNEY
Deputy Chairman


KRISTIN LEE
Commissioner